

Message Text

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ACTION NEA-07

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FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC IMMEDIATE 1837

C O N F I D E N T I A L NEW DELHI 3552

LIMDIS

PASS TREASURY AND AID

EO 11652: GDS
TAGS: EAID IN
SUBJ: IDA REPLENISHMENT

REF: A. NEW DELHI 3517 B. NEW DELHI 3516

1. WE ARE IMPRESSED BY JONEJA'S STATEMENT THAT
THE CIVIL SERVANTS IN THE GOI ARE UNDER PRESSURE
FROM THE POLITICAL LEVEL BECAUSE THEIR EFFORTS TO
IMPROVE RELATIONS WITH THE US HAD FAILED TO PREVENT
WHAT THE GOI SEES AS A US MOVE AGAINST INDIA ON THE
IDA V SHARING. IN FACT, SUCH A GOI EFFORT HAS BEEN
UNDER WAY FOR AT LEAST A YEAR. IT WAS INITIATED BY THE
CIVIL SERVANTS IN THE FINANCE AND EXTERNAL AFFAIRS
MINISTRIES AND THEY ULTIMATELY CONVINCED THEIR MINISTERS
AND THE PRIME MINISTER OF THE JUSTIFICATION FOR THE
CHANGE IN POLICY. AS THE EMBASSY HAS REPORTED, THE
GOI HAS BEEN PAYING SPECIAL ATTENTION TO THE US OVER THE
PAST YEAR. THE ALMOST TOTAL ABSENCE OF CRITICISM OF
THE US BY SENIOR GOVERNMENT LEADERS IN THE ELECTION
CAMPAIGN ILLUSTRATES THE CHANGE WHICH HAS BEEN BROUGHT
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ABOUT. THE RISK WE RUN, OF COURSE, IS THAT AT SOME
POINT THE GOI (WHOEVER WINS THE ELECTION) MAY CONCLUDE
THAT THE BENEFITS OF ITS NEW POLICY ARE NOT WORTH THE
EFFORT. SUCH A CONCLUSION COULD MAKE OUR LIVES MORE
DIFFICULT AT NON-ALIGNED MEETINGS, TRADE NEGOTIATIONS,
THE LAW OF THE SEA CONFERENCE, THE PARIS TALKS AND THE LIKE.

2. I AM ALSO SOMEWHAT CONCERNED ABOUT THE POSITION OF A NEW US AMBASSADOR TO INDIA, WHO WILL ARRIVE IN THE AFTERMATH OF THIS CONTROVERSY. THE GOI RECALLS THAT WE MADE OUR DECISION TO RESUME LETHAL ARMS SALES TO PAKISTAN AFTER AMBASSADOR MOYNIHAN'S DEPARTURE AND BEFORE AMBASSADOR SAXBE'S ARRIVAL. I HAVE BEEN TOLD MORE THAN ONCE THAT THEY HOPED WE WOULD NOT FOLLOW A SIMILAR PRACTICE AGAIN. SINCE THE OFFICIALS WE TALK TO CONTINUE TO VIEW OUR IDA DECISION AS THE FIRST POLICY ACTION OF THE NEW ADMINISTRATION REGARDING INDIA, I AM CONCERNED THAT THE AMBASSADOR'S EFFORTS TO WORK OUT A RELATIONSHIP BETWEEN INDIA AND THE NEW ADMINISTRATION WILL BE AFFECTED. THERE ARE, OF COURSE, OTHER PROBLEMS ALONG THE WAY, SUCH AS NUCLEAR PROLIFERATION, WHICH HE WILL HAVE TO DEAL WITH.

3. I STILL FIND IT DIFFICULT TO JUDGE JUST WHAT EFFECT OUR DIFFERENCES OVER IDA V MAY HAVE ON OUR BILATERAL RELATIONS. THE FOREIGN MINISTRY HAS SPOKEN WITH CONSIDERABLE HEAT AND IN THE PRESENCE OF A REPRESENTATIVE OF THE FOREIGN MINISTRY. WHEN I DISCUSSED THE ISSUE WITH THE FOREIGN SECRETARY, HOWEVER, HE SEEMED MORE RESTRAINED. THERE HAS BEEN NO MINISTERIAL PROTEST AND NO PUBLIC CONTROVERSY AS A RESULT OF THE UNNA ARTICLE IN THE STATESMAN. THIS MAY BE EXPLAINED, HOWEVER, BY THE ELECTION CAMPAIGN WHICH HAS LARGELY KEPT ALL MINISTERS OUT OF DELHI AND HAS GIVEN CONGRESS THE INCENTIVE TO KEEP THE ISSUE OUT OF THE PUBLIC EYE. I CONCLUDE THAT THERE IS SUFFICIENT PROSPECT OF DAMAGE TO JUSTIFY SUCH

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CORRECTIVE ACTION AS WE ARE ABLE TO TAKE.

4. OBVIOUSLY WE CANNOT ALTER OUR BASIC POSITION ON IDA V SHARING. I WONDER, HOWEVER, IF WE CANNOT RESPOND POSITIVELY TO THE INDIANS AT LEAST IN REGARD TO PROCEDURE AND COSMETICS. CAN WE, FOR EXAMPLE, AGREE TO OBJECTIVE CONSIDERATION OF WIDER SHARING BY THE BANK? COULD WE REFINE OUR THOUGHTS ON SHARING IN SUCH A WAY AS TO PROVIDE ASSURANCE TO THE GOI THAT IF THE CONGRESS APPROPRIATES THE FULL REPLACEMENT INDIA WILL OBTAIN A LARGER REAL INFLOW FROM IDA, RATHER THAN THE REDUCTION IN IBRD/IDA NET AID WHICH THEY SEE WOULD RESULT FROM THE SAME REAL IBRD/IDA INFLOWS BUT AT MUCH HIGHER INTEREST RATES? MIGHT WE ALSO SET FORTH OUR SHARING PROPOSAL IN A BROADER CONTEXT SO THAT IT DOES NOT EXPLICITLY SINGLE OUT INDIA AND SO THAT SOME OTHER COUNTRIES WILL ALSO AT LEAST RECEIVE MARGINAL REDUCTIONS IN SHARES? FINALLY, CAN THE EMBASSY BE AUTHORIZED TO BRIEF MANMOHAN SINGH ON THE POSITION WE WILL TAKE AT

VIENNA IF WE CAN TAKE INTO ACCOUNT IN ANY WAY HIS
CONCERNS IN SETTING FORTH THAT POSITION? IN OTHER
WORDS, WE WONDER IF WE CAN OFFER THE GOI SOME PROSPECT
THAT THE DIALOGUE THAT WE HAVE INITIATED BY INVITING
MANMOHAN SINGH TO COME TO WASHINGTON WILL AMELIORATE
THE SITUATION WHICH HAS CAUSED US TO PROPOSE IT.
SCHNEIDER

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